

Message Text

LIMITED OFFICIAL USE

PAGE 01 ASUNCI 00626 151720Z

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 XMB-02 EB-08 /021 W

-----151828Z 050592 /47

P 151640Z FEB 77

FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC PRIORITY 9422

LIMITED OFFICIAL USE ASUNCION 0626

FOR RICHARD GRAHAM, ARA/ECA

DEPT PASS ALSO TO EXIM

E.O. 11652: N/A

TAGS: ECON, PA

SUBJ: MEDIUM AND LONG RUN PROSPECTS FOR PARAGUAYAN ECONOMY

1. PLEASE PASS FOLLOWING INFORMATION TO EXIMBANK
OFFICIALS WHO RECENTLY VISITED PARAGUAY, TO SUPPLEMENT
RECENT EMBASSY BRIEFING REGARDING IMPACT UPON
PARAGUAYAN ECONOMY OF ITAIPU AND OTHER HYDROELECTRIC
PROJECTS. WHILE COUNTRY WILL INDEED HAVE TO ABSORB
LARGE NUMBER OF WORKERS INTO OTHER SECTORS, AND
INFLOW OF CAPITAL AND FOREIGN RESERVES WILL DIMINISH
WHEN PROJECTS ARE COMPLETED, THIS IS SO FAR IN THE
FUTURE THAT THE ECONOMY, WHICH IS BASICALLY SOUND,
WILL HAVE HAD TIME TO MAKE ADJUSTMENTS. WE EMPHASIZE
THAT IT IS UNLIKELY THAT DAMS WILL SPUR VERY RAPID
INDUSTRIALIZATION, BUT THAT THE HYDROELECTRIC SCHEMES AND
THEIR SPINOFFS WILL PROVIDE EMPLOYMENT INTO THE NEXT
CENTURY AND FOREIGN RESERVE EARNINGS FOR AN
INDEFINITE PERIOD OF TIME AFTER THAT.

2. ITAIPU WILL BE FINISHED AROUND 1990. WE
ESTIMATE THAT THE YACYRETA PROJECT WILL BE COMPLETED
NO EARLIER THAN 1995, AND THAT CONSTRUCTION OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ASUNCI 00626 151720Z

CORPUS WILL EXTEND AT LEAST UNTIL THE YEAR 2000.
IN TERMS OF EMPLOYMENT, IT SHOULD BE NOTED THAT
A SUPERIMPOSITION OF THE LABOR DEMAND CURVES
FOR THE THREE PROJECTS PRODUCES A SINGLE CURVE
DEMONSTRATING A RELATIVELY CONTINUOUS DEMAND FOR
LABOR OVER THE NEXT QUARTER CENTURY AND THAT AT
THE END THE WORKFORCE WILL BE REDUCED GRADUALLY

OVER SEVERAL YEARS. THE INFLOWS OF CAPITAL AND FOREIGN EXCHANGE RELATED TO THE THREE PROJECTS WILL ALSO CONTINUE OVER THIS LONG SPAN OF TIME, ALTHOUGH WILL LESS CONTINUITY.

3. IT IS ESTIMATED THAT AT ANY GIVEN TIME THE MAXIMUM NUMBER OF PARAGUAYANS EMPLOYED ON THE PROJECTS WILL BE 15 THOUSAND, LESS THAN 2 PERCENT OF THE PRESENT WORKFORCE. BY THE YEAR 2000 IT WILL BE AN EVEN SMALLER PERCENTAGE. ON THE FINANCIAL SIDE, AS EACH PROJECT COMES ON STREAM IT WILL BECOME A SOURCE OF FOREIGN RESERVE EARNINGS AND PARAGUAY WILL BECOME A MAJOR EXPORTER OF ELECTRICITY.

4. UPON COMPLETION OF ALL THREE PROJECTS THERE MAY WELL BE A RECESSIONARY IMPACT UPON THE ECONOMY AS 1 PERCENT OR SO OF THE WORKFORCE MUST SEEK NEW EMPLOYMENT AND FOREIGN RESERVE EARNINGS DIMINISH, BUT THERE ARE NO GROUNDS FOR ANTICIPATING A SEVERE DEPRESSION OR EVEN OF A RECESSION. MOREOVER, THE ECONOMY IS SOUND AND CONTINUES TO EXPERIENCE MODERATE REAL GROWTH. THERE IS NO WAY TO PROJECT ACCURATELY WHAT CONDITIONS WILL BE IN OTHER SECTORS OF THE ECONOMY IN THE FIRST QUARTER OF THE NEXT CENTURY, BUT THERE APPEARS TO BE A GOOD CHANCE THAT CONTINUED REAL GROWTH WILL ALLOW IT BOTH TO ABSORB THE DISPLACED LABOR AND TO PROVIDE OTHER SOURCES OF FOREIGN EXCHANGE EARNINGS.

LANDAU

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ASUNCI 00626 151720Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Feb-1977 12:00:00 am
Decapton Date: 01-Jan-1960 12:00:00 am
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ASUNCI00626
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770053-1076
Format: TEL
From: ASUNCION
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770242/aaaabldi.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 014dcec6-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3324491
Secure: OPEN
Status: NATIVE
Subject: MEDIUM AND LONG RUN PROSPECTS FOR PARAGUAYAN ECONOMY
TAGS: ECON, PA
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/014dcec6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009